

CALIFORNIA DEPARTMENT OF INSURANCE
LEGAL DIVISION
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Insurance Commissioner

**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA**

**In the Matters of the Licenses and
Licensing Rights of**

Prolinks Insurance Services, Inc,

Razmik Khachatourians,

Moses Gazazian,

Tigran Khrllobian,

Respondents.

ACCUSATION

Nos.: 08VA00381 (Prolinks)

09VA00864 (Khachatourians)

09VA00866 (Gazazian)

09VA00865 (Khrllobian)

1. JURISDICTION

1. This matter arises under the California Insurance Code (“CIC”), Division 1, Part 1, and Part 2, Chapters 1, 2, 5 and 12 and Division 3, Chapters 1 and 2, which governs the licensing of production agencies, including insurance companies, brokers, and agents.

2. The regulations governing insurance companies, brokers and agents are contained in Title 10, Chapter 5, of the California Code of Regulations.

3. The Department of Insurance (“Department”) is the agency of the State of

1 California responsible for the licensing and monitoring of the insurance industry,
2 including insurance companies, brokers, and agents

3 4. This matter before the Department must be conducted in conformity with
4 The provisions of the California Administrative Procedures Act, Government Code
5 section 11500 et.seq. Pursuant CIC 1668, 1738, and 1739 the Commissioner may
6 institute or continue a disciplinary proceeding against a licensee for the grounds set forth
7 in CIC sections 1668.

8 **2. THE RESPONDENTS AND RELATED BUSINESS STRUCTURS**

9 5. Respondent ProLinks Insurance Services, Inc. was licensed by this Department as
10 a life agent and fire and casualty broker agent; license number 0E40895. The Prolinks Insurance
11 Services, Inc. license is inactive effective July 8, 2008 due to a California Franchise Tax Board
12 suspension.

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14 6. Respondent Razmik Khachatourians is licensed by the Department to transact
15 insurance as a life agent; license number 0796038.

16 7. Respondent Moses Gazazian is licensed to transact insurance as a fire and casualty
17 broker-agent and a life agent; license number 0B11649.

18 8. Respondent Tigran Kkhrlobian is licensed to transact insurance as a fire and
19 casulaty broker-agent and life agent; license number 0B03473.

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21 9. In or about 2003, Khrlobian and Gazazian started Respondent ProLinks Insurance
22 Services (ProLinks). In 2004, ProLinks was incorporated and Khachatourians joined the company
23 as a one third partner.

24 10. Capital 10 Global Inc. (Capatl 10) was established by Khachatourians
25 in or about February 2005 to act as the parent company for ProLinks. Capital 10 is not licensed to
26 transact insurance. Lighthouse Insurance Marketing (Lighthouse) was established by
27 Khachatourians in December 2005 to act as a marketing company with respect to securing
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1 qualified agents and clients for ProLinks. Lighthouse is 100% owned by Capital 10. Lighthouse
2 is not licensed to transact insurance. Lighthouse shared employees with ProLinks.

3 11. Khrlobian and Khachatourians dissolved their partnership with Gazazian sometime
4 around the end of 2005/early 2006. ProLinks is not currently authorized to transact insurance due
5 to a franchise tax board suspension. In May of 2007, Gazazian filed a lawsuit in the Los Angeles
6 County Superior Court against Tigran Khrlobian and Razmik Khachatourians. In the lawsuit,
7 Gazazian alleged that his former business partners had committed fraud, breach of contract,
8 breach of fiduciary duty, conversion, fraud, and unfair business practices. The lawsuit contains
9 information about the history of their partnership as well as their efforts to solicit investors to
10 purchase beneficial interests in life insurance policies sold by ProLinks. Gazazian claimed that
11 Khrlobian and Khachatourians failed to pay him his share of commissions and settlement fees
12 totaling in the millions. He also alleged that Khrlobian and Khachatourians stole millions of
13 dollars under the guise of marketing expenses and later wrote checks to themselves for hundreds
14 of thousands of dollars. This lawsuit was settled out of court. The terms of the settlement are
15 unknown.

18 **3. BACKGROUND**

19 12. While doing business as ProLinks Insurance Service, Khrlobian and
20 Khachatourians, and Gazazian sold investor-driven life insurance policies under false pretenses
21 by knowingly and intentionally submitting applications containing false information about the
22 personal finances of the applicants. They also concealed the fact that policies were purchased
23 with the intent of selling their beneficial interest(s) to an investor. Furthermore, they signed
24 applications as the agent of record even though they never met or spoke with the applicants.
25 Finally, Khrlobian and Khachatourians. embezzled fiduciary funds that had been entrusted their
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1 care by Deutsche Bank. The total theft committed by Khrlobian and Khachatourians amounts to
2 \$228,888.00.

3 **4. THE BUSINESS PLAN**

4 13. In 2005, Khrlobian, Khachatourians, and Gazazian began looking for investors
5 interested in purchasing a beneficial interest in high value life insurance policies sold by
6 ProLinks. In 2006, Khrlobian and Khachatourians met with representatives of Deutsche Bank
7 (the Bank) to discuss their life insurance business model. As a result of these meetings, the parties
8 entered into an "Administration Agreement" (the Agreement) on December 21, 2006. As
9 outlined in the Agreement, the Bank agreed to provide indirect financing for a Delaware Statutory
10 Trust called the CAP Accumulation Trust (the CAP Trust). The grantor and beneficiary of the
11 CAP Trust is an Irish limited liability company called Dariconic Limited. The trustee is Wells
12 Fargo Delaware Trust Company.
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14 14. Pursuant to terms set forth in the Agreement, the CAP Trust desired to acquire
15 beneficial interests in California insurance trusts formed by eligible insureds for the purpose of
16 procuring eligible policies on the lives of such eligible insured. (In simplified terms, Deutsche
17 Bank agreed to fund an "accumulation trust" that would be used to purchase a beneficial interest
18 in insurance trusts funded by life insurance policies to be sold by ProLinks.) Khrlobian and
19 Khachatourians established a life insurance program called the Life 10 Program. The policies and
20 procedures were jointly agreed in negotiations, including the requirement that Lighthouse and the
21 insurance agents verify and warrant to the CAP Trust that the factual representations contained in
22 the insurance applications were true and accurate.
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24 15. Khachatourians, Khrlobian and Gazazian recruited independent agents to sell life
25 insurance for ProLinks. As many as 100 agents were recruited to sell insurance for ProLinks.
26 The independent agents learned how to market the Life 10 Program by attending weekly training
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1 sessions conducted by Khrlobian in ProLinks' office. The agents were instructed to target senior
2 consumers who were U.S. citizens and could qualify (financially and health-wise) for life
3 insurance policies with multi-million dollar death benefits. In reality, the independent agents
4 acting under the direction of Khrlobian, Khachatourians and Gazazian ended up targeting low to
5 middle income seniors in immigrant communities, many of whom had a limited understanding of
6 English.

8 **5. A TYPICAL TRANSACTION**

9 16. An independent agent met with a senior consumer in the consumer's home. The
10 agent told the consumer that they would not have to pay any premiums on a life policy, and that
11 their beneficiary could expect to receive a substantial amount of money if they agreed to sell the
12 beneficial interest in the consumer's policy. If the consumer was interested, the agent completed
13 a "prequal application" and a HIPPA form. The agent delivered the applicant's paperwork to
14 ProLinks. The paperwork was reviewed and an APS report (i.e. medical record review) and a life
15 expectancy report were ordered by ProLinks. The applicant's paperwork was then forwarded to
16 general agent Total Financial & Insurance Services so that it could be shopped around to insurers.
17 Once an insurer expressed interest, a policy illustration was completed and submitted to the Bank
18 to see if the Bank was interested.

20 17. The independent agent and/or ProLinks' representatives met with the applicant a
21 second time to gather information necessary to complete an official policy application and get
22 medical tests done. In each and every case either Khrlobian, Khachatourians or Gazazian signed
23 the application(s) as the official agent(s) of record. For each client, ProLinks arranged for an
24 insurance trust to be created. Each trust was funded with the life policy that the client purchased
25 from ProLinks. Prior to submitting an application to the insurer (via Total Financial), Khrlobian,
26 Khachaturian's, Gazazian, and/or agents acting under their control, willfully and intentionally
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1 inserted into the application false information about the applicant's personal finances. This was
2 done so that the applicant could demonstrate sufficient income and net worth to meet the insurer's
3 underwriting guidelines necessary to qualify for multi-million dollar policies.

4 18. The insurer ordered a phone interview with the applicant so that an "Inspection
5 Report" could be completed. During this interview, the applicant was asked to verify that the
6 financial information on their application was accurate. Acting under the instructions of
7 Khrlonian, Khachatourians and/or Gazazian, an independent agent was present during the phone
8 interview in order to "coach" the applicant how to (falsely) respond to the interviewer's questions
9 about their finances. Once a policy was issued, ProLinks paid all of the premiums until such time
10 that the Bank purchased a beneficial interest in the trust that was funded with the life policy. This
11 violated the terms of Lighthouse's Agreement with the CAP Trust - which specified that all of the
12 premiums were being paid by the insured.

13 19. Once the CAP Trust agreed to purchase a beneficial interest in a policy, the
14 insured traveled to ProLinks' office in order to meet with Khrlonian, Khachatourians, and or
15 Gazazian, and complete the necessary paperwork, which included the following:

16 An Insurance Agent Certificate signed by Khachatourians or Khrlonian.

17 A Server Provider Certificate signed by Khachatourians or Khrlonian.

18 A Beneficial Interest Purchase Agreement signed by the insured and the insured's beneficiary.

19 20. Wire Instructions, signed by the insured's beneficiary, directed the CAP Trust to
20 wire all funds paid by the CAP Trust to a Lighthouse account at Citibank. The funds received by
21 Lighthouse from the CAP Trust for each policy consisted of three components: a fee (i.e. the
22 "Purchase Price") to be paid to the policy beneficiary in exchange for relinquishing his/her
23 beneficial interest in the trust that owned the policy; funds equal to the premiums that had already
24 been paid for the policy; a fee to Lighthouse for services performed in connection with the
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1 transaction. The CAP Trust also assumed responsibility for paying all premiums going forward.
2 When an insured dies, the death benefit will be paid to the CAP Trust.

3 21. All commissions were paid to ProLinks. For each sale, the independent agent
4 received a portion of ProLinks' commission. Finally, Lighthouse forwarded the "Purchase Price"
5 to the trust beneficiary.
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7 **6. DEUTSHE BANK (THE BANK): AMOUNT OF LOSS \$228,888.00**

8 22. The Bank and Lighthouse entered into a written contract (called the
9 "Administration Agreement by and among The CAP Accumulation Trust, Lighthouse Insurance
10 Marketing, Inc., Joseph Capital LLC and Wells Fargo Bank, N.A.") Each eligible insured was
11 supposed to have a net worth of at least \$1,000,000.00. Lighthouse/ ProLinks did not comply
12 with this requirement, and the applications that had been submitted to Lincoln National Life
13 Insurance Company (and possibly other insurers) contained misrepresentations about the
14 applicant's annual income and net worth. Per the agreement, all of the applicants were supposed
15 to be paying their own premiums up until the time that a beneficial interest in the policies was
16 purchased by the Bank. This was not occurring, however.
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18 23. The Bank purchased a beneficial interest in approximately 50 life insurance
19 policies sold by ProLinks. On each purchase, the Bank made a payment to the beneficiary and
20 paid a service fee to ProLinks. The Bank was also responsible for reimbursing the insured for all
21 premiums already paid, and paying all premiums going forward.
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23 24. Lincoln National decided not to honor (i.e. canceled) two policies that had been
24 sold by ProLinks: the Dorotea Villanueva policy and the Solhenriet Villamor policy (discussed in
25 depth below under headings 7 and 8 below). In each case, the applications contained false
26 information about the net worth and annual income of the applicants. In the case of one
27 applicant, the investigation uncovered a bankruptcy which indicated that the applicant's monthly
28 income was only \$790.00. Further, when the applicant's son was contacted about the matter, he

1 reported that his family had not sold the beneficial interest in his mother's policy to the Bank. In
2 these two instances, Khrlobian and Khachatourians, in their capacities as executives at Prolinks,
3 received funds from the Bank that were supposed to be used to pay premiums and to purchase
4 beneficial interests in trusts funded with life insurance policies belonging to Solhenreit Villamor
5 and Dorotea Villanueva. When these policies were canceled by the insurance carrier, Khrlobian
6 and Khachatourians failed to return the funds they had received to the CAP Accumulation Trust
7 (i.e. the Bank), and intentionally converted these funds for their own use. The total theft
8 committed by Khrlobian and Khachatourians amounts to \$228,888.00

9 25. The Department learned that the CAP Accumulation Trust filed a lawsuit
10 against Khachatourians and Khrlobian for breach of contract, conversion, fraud and negligent
11 misrepresentation. According to the lawsuit, the Bank purchased a beneficial interest in 51
12 insurance policies sold by ProLinks. In total, the Bank wired \$15,849,156 to a Lighthouse
13 account at Citibank. Khrlobian and Khachatourians were supposed to use these funds to pay
14 \$4,985,250 to the policy beneficiaries, and to use \$9,203,406 to reimburse the insureds for
15 premiums that had already been paid. (Note: In reality, the \$9,203,406.00 that was supposed to
16 have been paid to the insureds was kept by Lighthouse because none of the premiums had been
17 paid by the insureds. The premiums were advanced by Khrlobian and Khachatourians in
18 violation of their written agreement with Deutsche Bank.) Additionally, the Bank paid
19 Lighthouse servicing fees totaling approximately \$1,626,750 in connection with the acquisition of
20 the beneficial interests in the insurance trusts.

23 7. **DOROTEA VILLANUEVA POLICY**

24 26. In or around September of 2007, Khachatourians sold a \$3 million Lincoln
25 National policy to Dorotea Villanueva. The policy was canceled by the carrier. Khrlobian signed
26 the Insurance Agent Certificate that was executed when Deutsche Bank purchased a beneficial
27 interest in Villanueva's policy.
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1 27. Villanueva confirmed signing an application that was submitted to Lincoln
2 National. Villanueva said that she didn't read the application before she signed it, and that she
3 didn't previously know it contained (financial) information about her that wasn't true. Villanueva
4 is an 82 year-old non-English speaking immigrant who lives in a modest apartment in a low
5 income neighborhood. She is not employed and does not own any property. Her only source of
6 income is SDI. She last worked in 1996 when she had a job in a laundry place. According to a
7 policy application that was submitted to Lincoln National by Khachatourians, Villanueva has a
8 net worth of \$6.6 million and her annual unearned income is \$541,000.00. This was not true.

10 28. The Department showed Villanueva a copy of a letter dated November 6, 2007
11 that documents her receipt of her insurance policy. She said that the signature on this document
12 was not her own. The Department showed Villanueva a copy of a letter, dated November 6, 2007,
13 regarding a request to backdate her policy. She said that the signature on this document was not
14 her own.

16 29. The CAP Trust wired fiduciary funds totaling \$134,820.00 to Lighthouse. These
17 funds were to be distributed as follows: \$7,500.00 to Lighthouse for services rendered;
18 \$45,000.00 to the policy beneficiary for her beneficial interest in the trust that owned this policy;
19 and \$82,320.00 to reimburse the insured for premiums that had been paid. Lighthouse never sent
20 any money to Villanueva's beneficiary. Lighthouse did not return any money to Deutsche Bank
21 after Villanueva's policy was canceled. The Respondents used this money to pay bills.

23 **8. SOLHENRIET VILLAMOR POLICY**

24 30. In or around September of 2007 Prolinks sold a \$3.9 million Lincoln National
25 policy to Solhenriet Villamor. Khrlobian signed the Insurance Agent Certificate that was executed
26 when Deutsche Bank purchased a beneficial interest in Villamor's policy.

1 31. Villamor resides in a small apartment in a low income neighborhood. In or about
2 March of 2004, Villamor filed for chapter 7 personal bankruptcy. Her bankruptcy filing listed no
3 real property, \$1,149.27 in personal property and more that \$61,000 in unsecured debt. Her total
4 monthly income was reported as \$790 in social security benefits with monthly expenses of
5 \$660.00 including \$195.00 for rent. According to a policy application that was submitted to
6 Lincoln National by Khachatourians, Villamor has a net worth of \$6.34 million. According to her
7 Inspection Report, Villamor was semi-retired and had owned a jewelry business for 15 years.
8 Villamor reported business assets worth \$4 million, personal assets worth \$4.4 million and an
9 annual unearned income of \$600,000.
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11 32. The CAP Trust wired fiduciary funds totaling \$94,068.00 to Lighthouse. These
12 funds were to be distributed as follows: \$58,500.00 to the policy beneficiary for her beneficial
13 interest in the trust that owned this policy; and \$35,568.00 to reimburse the insured for premiums
14 that had been paid. Lighthouse never sent any money to Villamor's beneficiary. Lighthouse did
15 not return any money to Deutsche Bank after Villamor's policy was canceled. The Respondents
16 used the money to pay bills. These funds are owed to the Bank.
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18 **9. ROSIE ABULE POLICY**

19 33. In or around May of 2007, Khrlobian sold a \$5 million Axa Equitable life
20 insurance policy to Rosie Abule. This policy went into effect on May 17, 2007. Khrlobian signed
21 the application. Ramon Fortun was the independent agent who met with Abule about this policy.
22 Khrlobian signed the Insurance Agent Certificate that was executed when Deutsche Bank
23 purchased a beneficial interest in Abule's policy.
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25 34. As part of the application process, an Inspection Report was required by the
26 insurer. The Report was completed by Exam One by telephone on or about December 14, 2006.
27 This phone call was recorded. Abule said that she didn't remember if this ever actually happened.
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1 The financial information submitted during the application process by Prolinks, with Prolinks full
2 knowledge and consent, was intentionally untrue, so as to support that the applicant had a
3 sufficient net worth to meet insurers' underwriting guidelines, when, in fact, the applicant did not
4 have sufficient net worth to so qualify. Rosie Abule filed for Chapter 7 bankruptcy in 2003. She
5 owns her home in La Puente and a residential property in the Philippines. She is currently retired
6 and her annual income is less than \$100,000.00. According to an application, dated May 9, 2007,
7 that Khrlobian submitted to Axa Equitable Ins. Co., Abule has a net worth of \$12 million and her
8 annual income is \$750,000.00, which includes \$700,000.00 in rental income. Abule advised the
9 Department this was not true. She said that she rents out her property in the Philippines, but that
10 she does not earn \$750,000.00 a year in rental income. According to the Inspection Report that
11 was completed as part of the application process, Abule has an annual income of \$759,600
12 consisting of \$750,000 in rental income and \$9,600 in other unearned income, assets worth \$4.5
13 million consisting of \$3.5 million in real estate, cars worth \$5,000, and stocks/bonds worth \$1
14 million. Abule advised the Department this information was not true.

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17 35. The beneficial interest in Abule's policy was sold to the CAP Trust for
18 \$150,000.00. The CAP Trust paid a \$37,500.00 fee to Lighthouse and also wired \$32,732.50 to
19 Lighthouse as reimbursement of the premiums that had already been paid. The premiums had
20 been paid by Prolinks, in violation of the agreement with the Bank that the insured pay the
21 premiums.
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23 **10. RAMONA ARAGON POLICY**

24 36. In or around December of 2006, Khrlobian sold a \$4.8 million Jefferson Pilot life
25 policy to 76 year old Ramona Aragon that went into effect on December 12, 2006. The beneficial
26 interest in Ramona Aragon's policy was sold to the CAP Trust for \$72,000.00. The CAP Trust
27 also wired \$48,588.00 to Lighthouse as reimbursement of the premiums that had already been
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1 paid by Prolinks in violation of its agreement with the Bank. The financial information submitted
2 during the application process by Prolinks, with Prolinks full knowledge and consent, was
3 intentionally untrue, so as to support that the applicant had a sufficient net worth to establish to
4 meet the insurers' underwriting guidelines, when, in fact, the applicant did not have sufficient net
5 worth to so qualify. Ramona Aragon, does not work outside of her home. According to the
6 application, dated August 22, 2006, and Financial Supplement, that Khrlobian submitted to
7 Jefferson Pilot Insurance Company, Ramona Aragon has an annual income of \$490,000.00, and a
8 net worth of 4.5 million.
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10 **11. ARTURO ARAGON POLICY**

11 37. In or around March of 2007, Khrlobian sold a \$6.5 million Jefferson Pilot life
12 policy to 76 year old Arturo Aragon that went into effect on March 1, 2007. The financial
13 information submitted during the application process by Prolinks, with Prolinks full knowledge
14 and consent, was intentionally untrue, so as to support that the applicant had a sufficient net worth
15 establish to meet the insurers' underwriting guidelines, when, in fact, the applicant did not have
16 sufficient net worth to so qualify. Arturo Aragon is currently employed in the laundry room at a
17 rehabilitation center. He lives in an apartment and does not own any property in the United
18 States. He owns a home in the Philippines. According to the application, dated January 5, 2007,
19 and a Financial Supplement, dated June 1, 2007, that Khrlobian submitted to Jefferson Pilot
20 Insurance Company, Aragon had annual unearned income of \$850,000.00, owned assets worth
21 \$12 million, and a net worth of \$9 million. When the Department interviewed Aragon, he stated
22 that this information was not true. According to an Inspection Report that was completed as part
23 of the application process, Aragon had been retired for 5 years after working as a manager for
24 Ellis Healthcare. His home (in Elk Grove) was worth \$2.5 million¹. His net worth was \$9
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¹ According to Internet research, in 2006 the median sales price of homes in Elk Grove, CA was approximately \$500,000.00

1 million derived from the value of his home, personal property and investments. He also had
2 unearned income of \$850,000.00. When the Department interviewed Aragon, he said he was
3 never employed as a manager for Ellis Healthcare. The property he owns is not worth \$2.5
4 million and he is not worth \$9 million. He said that this number was made up by his life agent and
5 that she told him it was okay to put this information on his application. He said that he doesn't
6 have any investments and that he doesn't have any rental income.

8 38. The beneficial interest in Arturo Aragon's policy was sold to the CAP Trust for
9 \$192,000.00. The CAP Trust paid a \$97,500.00 fee to Lighthouse and also wired \$57,329.40 to
10 Lighthouse as reimbursement of the premiums that had already been paid. ProLinks paid the
11 initial premiums due on this policy.

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14 **12. NORMA MAPAYE POLICY**

15 39. In or around August of 2007, Khachatourians sold a \$4 million Lincoln National
16 life policy to Norma Mapaye that went into effect on August 20, 2007. The beneficial interest in
17 Mapaye's policy was sold to the CAP Trust for \$66,000.00. The Bank paid an \$11,000.00 fee to
18 Lighthouse and also wired \$64,614.00 to Lighthouse as reimbursement of the premiums that had
19 already been paid. The financial information submitted during the application process by
20 Prolinks, with Prolinks full knowledge and consent, was intentionally untrue, so as to support that
21 the applicant had a sufficient net worth establish to meet the insurers' underwriting guidelines,
22 when, in fact, the applicant did not have sufficient net worth to so qualify. Mapaye is retired and
23 currently living with her niece. She said that she doesn't own a business or any property, and that
24 she doesn't have any sources of income. According to an application, dated August 17, 2007, that
25 Khachatourians submitted to Lincoln Financial Group, Mapaye possessed assets worth \$13.7
26 million, had an annual income of \$1.1 million and a net worth of \$11.2 million. As part of the
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1 application process, Khachatourians also submitted to Lincoln Financial a “Financial Supplement
2 For Business And Personal Insurance,” dated July 6, 2007. Mapaye advised the Department that
3 she had not previously seen this document, and that the information contained within it is not
4 true. She also said that the signature on this form was not her own. According to her Inspection
5 Report, Mapaye owns rental property and has an annual unearned income in the amount of
6 \$486,000.00. She has personal assets totaling \$13.65 million and personal liabilities totaling
7 \$2.25 million. On March 4, 2009, Mapaye told the Department that the information about her
8 personal finances found on the Inspection Report is not true. Further, the premiums had been
9 paid by Prolinks, in violation of the agreement with the Bank that the insured pay the premiums.
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11 **13. BEN CABAL POLICY**

12 40. In or around October of 2007, Khrlobian sold a \$4 million American National life
13 policy to Ben Cabal that went into effect on October 16, 2007. The financial information
14 submitted during the application process by Prolinks, with Prolinks full knowledge and consent,
15 was intentionally untrue, so as to support that the applicant had a sufficient net worth establish to
16 meet the insurers’ underwriting guidelines , when, in fact, the applicant did not have sufficient net
17 worth to so qualify.
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19 41. Ben Cabal is currently employed as a general manager at LA Best Security
20 Services. He filed for Chapter 7 bankruptcy in 2000. The only property he owns in the United
21 States is his home, which he estimated to be worth about \$450,000.00. He also owns about four
22 properties in the Philippines that he estimated to be worth less that \$500,000.00 pesos
23 (approximately \$38,000 in US dollars). Cabal said that he didn’t tell anyone at ProLinks about
24 the properties that he owned in the Philippines. As part of the application process, a “Financial
25 Statement Questionnaire,” dated September 7, 2007 was submitted to American National Ins. Co.
26 Cabal confirmed signing this document. Cabal advised the Department that the information on
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1 this document about his personal finances was not accurate. He said that he did not personally
2 complete this document, and that he did not give this information to his agent, or anyone else at
3 ProLinks. According to the Inspection Report that was completed as part of the application
4 process, Cabal owns LA Best Security Services, a business worth \$4.5 million; a home worth
5 \$1.1 million; other real estate worth \$3.5 million; stocks and bonds worth \$550,000.00, and has
6 rental income in the amount of \$45,000.00. Cabal admitted that his agent and another agent were
7 present in his home during the inspection call with TAM Inspection Services, and that they told
8 him what to say to the TAM representative about his personal finances. Cabal admitted to the
9 Department that none of the information about his personal finances in his Inspection Report is
10 true.
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12 42. The beneficial interest in Cabal's policy was sold to the CAP Trust for \$80,000.00.
13 The CAP Trust paid a \$10,000.00 fee to Lighthouse and also wired \$53,988.07 to Lighthouse as
14 reimbursement of the premiums that had already been paid. The premiums had been paid by
15 Prolinks, in violation of the agreement with the Bank that the insured pay the premiums.
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17 **14. VAN VARTANIAN POLICY**

18 43. In or around November of 2004, 52 year old Van Vartanian applied for a \$5
19 million Nationwide life insurance policy #N101586800 from Moses Gazazian of ProLinks
20 Insurance Services. The beneficial interest in this policy was not purchased by the CAP Trust.
21 The Department interviewed Vartanian on June 17, 2008 and on March 20, 2009, and learned the
22 following:
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24 44. Vartanian is licensed as a life agent. He said that he did some sales work for
25 ProLinks. He said that ProLinks lied to his customers and that no policies were obtained.
26 Vartanian said that ProLinks was looking for "certain people with certain health problems." He
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1 volunteered that he is diabetic and that his life expectancy is about 15 years. He was told that he
2 wouldn't have any out of pocket expenses when he bought the policy.

3 45. Vartanian said that he was planning on selling the policy, but that ProLinks
4 canceled it because he "caused a ruckus" with ProLinks. He said that he didn't like dealing with
5 ProLinks because they did everything in secret and wouldn't answer his questions.
6

7 46. Vartanian acknowledged that a third party paid the premiums on his policy. He
8 further acknowledged that his policy was canceled for non-payment in June of 2005.

9 47. As part of the application process, an "Inspection Report" was required by
10 the insurer. The "inspection" telephone call purportedly between Vartanian and an InfoLink
11 representative on or about September 9, 2004 was not recorded. Vartanian advised the
12 Department that he did not remember if he ever spoke with InfoLink Services by phone.
13

14 48. Vartanian filed for Chapter 11 bankruptcy in 1993; Chapter 7 bankruptcy
15 in 1994, and Chapter 13 bankruptcy in 1995. When he applied for his life policy in 2004,
16 Vartanian owned two pieces of property, one in North Hollywood and the other in Woodland
17 Hills. According to a Life Financial Supplement that Gazazian submitted to Nationwide Life
18 Insurance Company as part of the application process, Vartanian's annual income was \$850,000
19 in 2004 and his net worth was \$6.95 million. When the Department interviewed Vartanian he
20 advised that the income information was too high, and that the net worth estimate was a
21 "fabrication." According to his Inspection Report Vartanian had an annual income of \$350,000
22 consisting of a salary of \$200,000 and dividends worth \$150,000. He also reported business
23 assets worth \$7 million, real estate worth \$500,000, stocks and bonds worth \$100,000, cash in the
24 amount of \$200,000, autos worth \$150,000, and personal effects worth \$70,000. Vartanian told
25 the Department that this information was not true.
26

27 **15. AGRINPINA MANALO POLICY**
28

1 49. In or around December of 2004, 80 year old Agripina Manalo applied for a \$5
2 million Jefferson Pilot life insurance policy #JF5512091 from Moses Gazazian. The beneficial
3 interest in this policy was not purchased by the CAP Trust. The Department interviewed
4 Manalo's daughter, on May 30, 2008 and learned the following:

5 50. She acknowledged that her mother had a \$5 million Jefferson Pilot policy. She
6 said that she was present when her mother bought the policy from "Tigran" and Moses Gazazian.
7

8 51. She was the beneficiary on her mother's policy. She said that the policy was sold
9 after 2 or 3 years. After the policy was sold, she received a check for \$121,000.00.

10 52. Agripina Manalo used to run a "buy and sell" business in the Philippines. She has
11 not worked at all in the United States. A check of California property records did not produce a
12 match for Manalo. According to an application, dated October 2, 2005, and Financial
13 Supplement that Gazazian submitted to Jefferson Pilot Insurance Company, Manalo's occupation
14 was listed as "retired real estate investor." Manalo had an annual income of \$504,000, and a net
15 worth of \$6.8 million. When the Department interviewed Manalo's daughter, she said that this
16 information was not true. She was unaware the untrue information had been put on her mother's
17 policy paperwork. According to her Inspection Report, Manalo was retired after owning a real
18 estate investment company for 15 years. She reportedly had unearned income in the amount of
19 \$504,000.00, and a net worth of \$6.8 million.
20

21
22 **16. LUZ CARPINA POLICY**

23 53. In or around November of 2004, 70 year-old Luz Carpina applied for a \$5 million
24 Travelers life insurance policy #7467106 sold by Moses Gazazian of ProLinks Insurance
25 Services. The beneficial interest in this policy was not purchased by the CAP Trust.
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1 54. Department records reveal that Carpina was licensed as a life agent from 1998 to
2 2008. The Department interviewed Carpina on May 14, 2008 and October 16, 2008 and learned
3 the following:

4 55. Carpina initially said that she purchased her Travelers policy from Moses
5 Gazazian. She later stated that she never actually met Gazazian and that she bought the policy
6 from Paul Emata. Carpina said that she still owns her policy, but that she would like to sell it.
7 She said that ProLinks is not involved with the potential sale of her policy, and that she plans on
8 doing it herself.

9
10 56. Carpina said that she did some work for ProLinks. She explained that she did not
11 actually sell any policies, and that her job was simply to refer people to ProLinks. She said that
12 she did not complete any applications for the people she referred to ProLinks, and that her job
13 was to pre-qualify people by obtaining information about their health and their assets. Carpina
14 said that she received a very small commission, about \$10,000, from ProLinks for the referrals.
15 Carpina said that during a meeting at ProLinks, she heard another agent say that "Tigran" was
16 exaggerating the financial information he was putting on the policy forms. Carpina said that
17 when she spoke up about this, she was told that she could leave if she couldn't stomach it.

18
19 57. Carpina is a retired DWP employee. Carpina owns a residential property in
20 Glendale that she estimated to be worth \$800,000.00. She said that she also owns apartment
21 buildings in the Philippines that she estimated to be worth \$3 million. Information about
22 Carpina's personal finances was included in "Life Financial Supplement" that Gazazian
23 submitted to Travelers Life Insurance Company. Carpina, advised the Department that the
24 financial information on this form was not accurate. She believed that this document was
25 completed by "Tigran." Carpina signed this document, but she said that nobody went over it with
26 her when it was filled out and sent in to the insurance company. According to her Inspection
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1 Report, Carpina was retired after working for DWP for 33 years. Her last position there was
2 account manager. Her annual income was \$588,000. She owned real estate worth \$2.6 million,
3 and other assets worth \$8.98 million. Her net worth was reported to be \$11.4 million.

4 **17. IN ADDITION TO STEALING FUNDS, MISREPRESENTING THE NET**
5 **WORTH OF APPLICANTS, AND FRONTING PREMIUM PAYMENTS IN VIOLATION**
6 **OF ITS AGREEMENTS, THE RESPONDENTS AND EACH OF THEM**
7 **MISREPRESENTED THEMSELVES AS THE “AGENT OF RECORD”**

8
9 58. Khachatourians, Khrlobian and Gazazian misrepresented themselves as the “agent
10 of record” on a number of policies ostensibly sold by ProLinks. Additionally, it appears that none
11 of the “independent” agents who met with the applicants on behalf of ProLinks are listed as
12 solicitors or endorsees on ProLinks license.

13
14 59. Khrlobian admitted to the Department that he did not regularly meet with
15 applicants to complete their policy applications and/or to get their signatures. He said that he
16 might have met with an applicant at ProLinks office once or twice. He said that he wasn’t going
17 to waste his time meeting with people until he knew that their policies had been accepted by a
18 carrier. He asserted that independent agents met with the applicants to complete the applications,
19 and then brought the applications to ProLinks to be signed. Khrlobian said that the first time he
20 met with an applicant was when an applicant came into the ProLinks office to sign the Deutsche
21 Bank paperwork. With regard to his practice of not meeting with applicants to complete their
22 applications, Khrlobian said, “I did a wrong thing.”

23
24 60. Khachatourians advised the Department that he never personally met with any of
25 ProLinks’ life insurance clients. He said that all of the paperwork was completed by the
26 independent agents, and that none of the applicants visited ProLinks office in Burbank. He stated
27 that he had been the agent of record for two Lincoln policies because he thought it had been okay
28

1 for him to sign the policies as a representative of ProLinks on behalf of the agents who actually
2 sold the policies.

3 61. Dorotea Villanueva - According to an application that was submitted to Lincoln
4 Financial Group on behalf of Dorotea Villanueva, Razmik Khachatourians was the agent of
5 record. When the Department interviewed Khachatourians, he admitted that he never met with
6 Villanueva and stated that he had no idea who completed her application. Khachatourians said
7 that he signed her application because he had a contract with Lincoln Financial.

8
9 62. Solhenreit Villamor - According to an application that was submitted to Lincoln
10 Financial Group on behalf of Solhenreit Villamor, Razmik Khachatourians was the agent of
11 record. Khachatourians admitted that he never met with Villamor. He said that Villamor's
12 application was completed by somebody else, but that he signed it because he had a contract with
13 Lincoln National Insurance Company. He said that he had no idea who wrote the financial
14 information on her application. According to Khrlobian, an individual named Arnel Paran was
15 involved with the sale of Villamor's policy.

16
17 63. Norma Mapaye - According to an application that was submitted to Lincoln
18 Financial Group on behalf of Norma Mapaye, Razmik Khachatourians was the agent of record.
19 Khachatourians confirmed that he signed Mapaye's application, but said that he didn't prepare it.
20 Khachatourians confirmed that he signed a two-page agent report that was submitted to the
21 insurance company along with Mapaye's application. Information found within this document
22 indicates that he had known Mapaye for 2 years. He admitted that this information was not
23 correct, and he admitted that he never met with Mapaye. He said that he did not complete this
24 document and that all he did was sign it.

25
26 64. Ben Cabal - According to an application that was submitted to American National
27 Insurance Company on behalf of Ben Cabal, Tigran Khrlobian was the agent of record. Khrlobian
28

1 confirmed that he signed Cabal's application. When asked if he met with Cabal, Khrlobian
2 responded, "I don't remember these people by heart." Cabal said that his agent was Frank
3 Nazario. According to CDI records, Nazario has never been authorized to transact insurance for
4 American National

5
6 65. Rosie Abule - According to an application that was submitted to Axa Equitable
7 Insurance Company on behalf of Rosie Abule, Tigran Khrlobian was the agent of record.
8 Khrlobian confirmed that he signed Abule's application, but said that he didn't write it. He said
9 that an independent agent named Ramon Fortun met with Abule about this policy.

10 66. Arturo & Ramona Aragon - According to the applications that were submitted to
11 Jefferson Pilot Insurance Company (i.e. Lincoln Financial Group) on behalf of Arturo and
12 Ramona Aragon, Tigran Khrlobian was the agent of record. Arturo Aragon advised the
13 Department that he never met Khrlobian and that the only person he dealt with when he bought
14 his policy was a woman named Nancy Balzomo. He said that he met with Balzomo in his home
15 and that they spoke in Tagalog.

16
17 67 Luz Carpina - According to an application that was submitted to Travelers Life &
18 Annuity Company on behalf of Luz Carpina, Moses Gazazian was the agent of record. Carpina
19 stated that she never met with Gazazian and that another CDI licensee, Paul Emata, sold her the
20 policy.

21
22 **18. IN ADDITION TO STEALING FUNDS, MISREPRESENTING THE NET**
23 **WORTH OF APPLICANTS, FRONTING PREMIUM PAYMENTS IN VIOLATION OF**
24 **ITS AGREEMENTS, MISREPRESENTING THEMSELVES AS THE "AGENT OF**
25 **RECORD," THE RESPONDENTS MISREPRESENTED THE INTENT OF THE**
26 **INSUREDS**
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1 68. During the course of this investigation, the Department corresponded with a
2 number of insurers regarding their policies governing the sale of stranger owned life insurance
3 (STOLI)/investor driven life insurance (IOLI). Each insurer informed the Department that they
4 do not permit agents to sell stranger originated and/or investor driven life insurance. These
5 insurers include:

- 6 • AIG
- 7 • Nationwide
- 8 • Travelers/MetLife
- 9 • Indy Life
- 10 • Principal Life
- 11 • Transamerica
- 12 • Axa Equitable
- 13 • Lincoln Financial Group
- 14 • Lincoln Benefit Life

15 69. Gazazian, Khrlobian and Khachatourians failed to disclose to insurers that life
16 insurance policies had been purchased with the sole intent of selling the beneficial interest to a
17 third party investor. Both Khrlobian and Khachatourians stated that 20 days after a policy went
18 into effect, Deutsche Bank (i.e. the CAP Trust) called the trust beneficiaries see if they were
19 interested in selling their beneficial interest in the policies. Khrlobian admitted that this whole
20 process was disclosed up front to the customer. He acknowledged that at the time of application,
21 the customer was told that the Bank would be calling them to purchase a beneficial interest in
22 their policy. (Further, as referenced throughout the Accusation, both Khrlobian and
23 Khachatourians admitted that (contrary to their written agreement with the CAP Trust) they
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1 personally paid the initial premiums for each policy until such time that the beneficial interest was
2 purchased by the CAP Trust. No premiums were paid by the insured.)

3 70. Dorotea Villanueva - Villanueva recalled being told that an “investor” would pay
4 her policy premiums. Her Lincoln Financial Group policy revealed that her application contains
5 the following questions:
6

7 #22 “Will you, the proposed insured and/or beneficiary, and/or any entity on your behalf, receive
8 any compensation, whether via the form of cash, property, an agreement to pay money in the
9 future, a percentage of the death benefit, or otherwise, if this policy is issued?” This question was
10 answered “No.”

11 #23 “Have you, the proposed insured, been involved in any discussion about the possible sale or
12 assignment of this policy or a beneficial interest in a trust, LLC or other entity created or to be
13 created on your behalf?” This question was answered “No.”
14

15 #24 “Have you, the proposed insured, ever sold a policy to a life settlement, viatical or other
16 secondary market provider, or are you in the process of selling a policy?” This question was
17 answered “No.”

18 #25 “Is this policy being funded via a premium financing loan or with funds borrowed, advanced
19 or paid from another person or entity?” This question was answered “No.”
20

21 71. Solhenreit Villamor -Villamor said that she couldn’t afford the premium payments
22 and that she never paid anything for the policy. She said that she thought that “somebody else”
23 was going to pay for the policy. Her Lincoln Financial Group policy revealed that her application
24 contains the following questions:

25 #22 “Will you, the proposed insured and/or beneficiary, and/or any entity on your behalf, receive
26 any compensation, whether via the form of cash, property, an agreement to pay money in the
27 future, a percentage of the death benefit, or otherwise, if this policy is issued?” This question was
28

1 answered “No.”

2 #23 “Have you, the proposed insured, been involved in any discussion about the possible sale or
3 assignment of this policy or a beneficial interest in a trust, LLC or other entity created or to be
4 created on your behalf?” This question was answered “No

5
6 #24 “Have you, the proposed insured, ever sold a policy to a life settlement, viatical or other
7 secondary market provider, or are you in the process of selling a policy?” This question was
8 answered “No.”

9 #25 “Is this policy being funded via a premium financing loan or with funds borrowed, advanced
10 or paid from another person or entity?” This question was answered “No.”

11 72. Norma Mapaye – The Lincoln Financial Group policy belonging to Norma
12 Mapaye revealed that her application contains the following questions:

13
14 #22 “Will you, the proposed insured and/or beneficiary, and/or any entity on your behalf, receive
15 any compensation, whether via the form of cash, property, an agreement to pay money in the
16 future, a percentage of the death benefit, or otherwise, if this policy is issued?” This question was
17 answered “No.” The Department asked Khrlobian if he believed that this question had been
18 answered honestly. He responded by saying, “My feeling is now, it’s not honest.”

19
20 #23 “Have you, the proposed insured, been involved in any discussion about the possible sale or
21 assignment of this policy or a beneficial interest in a trust, LLC or other entity created or to be
22 created on your behalf?” This question was answered “No.”

23 #24 “Have you, the proposed insured, ever sold a policy to a life settlement, viatical or other
24 secondary market provider, or are you in the process of selling a policy?” This question was
25 answered “No.”

26 #25 “Is this policy being funded via a premium financing loan or with funds borrowed, advanced
27 or paid from another person or entity?” This question was answered “No.” Khrlobian admitted
28

1 that Mapaye did not pay the initial premiums due on her policy, and that the premiums were paid
2 by ProLinks.

3 73 Ben Cabal - Cabal said that when he met with agent Frank Nazario, he was offered
4 an opportunity to get some life insurance that wouldn't cost him anything. Cabal said that he did
5 not pay any of the premiums for his American National policy. The "Premiums Funding Intent
6 Form" that was submitted to American National Insurance Company revealed that it was signed
7 by Cabal and Khrlobian. Cabal confirmed that he signed this document. He said that he did not
8 fill it out or read it before he signed it. He did not answer any of the questions on this form. This
9 form contains the following questions:
10

11 #1 "Do you intend to transfer ownership of the life insurance policy to a third party (i.e. life
12 settlement company, charity or investor group)?" This question was answered "No."

13 #2 "Have you been offered any direct or indirect inducement to encourage you to apply for this
14 life insurance policy, such as a cash payment, gifts, or loan proceeds in excess of funds necessary
15 to fund the policy?" This question was answered "No."

16 #3 "Is it intended that the policy be directly or indirectly owned by a charity or by an entity for
17 the purpose of the investment?" This question was answered "No."

18 #4 "Will the source of funds for premium payments involve premium financing?" This question
19 was answered "No."
20

21 74. Rosie Abule - Abule was not asked to answer any written questions about what she
22 intended to do with her policy. Abule said that Khrlobian told her that if she was willing to be
23 insured, she wouldn't have to pay any premiums. She was also told that he would find a
24 "financier" to buy her policy if she wanted to settle it. Abule said that she did not pay any of the
25 premiums.
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1 75. Arturo Aragon - Aragon stated that “the bank” was paying his policy premiums.
2 His Jefferson Pilot policy revealed that his application contains the following questions:

3 #63 “Have you been involved in any discussion about the possible sale or assignment of this
4 policy to a life settlement, viatical or other secondary market provider?” This question was
5 answered “No.”

6
7 #64 “Have you in the past two years sold a policy to a life settlement, viatical or other secondary
8 market provider?” This question was answered “No.”

9 76. Ramona Aragon -The Jefferson Pilot policy belonging to Ramona Aragon revealed
10 that her application contains the following questions:

11 #63 “Have you been involved in any discussion about the possible sale or assignment of this
12 policy to a life settlement, viatical or other secondary market provider?” This question was
13 answered “No.”

14
15 #64 “Have you in the past two years sold a policy to a life settlement, viatical or other secondary
16 market provider?” This question was answered “No.”

17 77. Van Vartanian - Vartanian was not asked to answer any written questions about
18 what he intended to do with her policy. Vartanian advised that a third party paid the premiums on
19 his policy.

20 78. Agripina Manalo - Manalo was not asked to answer any written questions about
21 what she intended to do with her policy. Manalo’s daughter (Elizabeth Noble) advised that a
22 “trust” was responsible for paying the premiums. She didn’t know who put money into the trust.

23
24 79. Luz Carpina - Carpina said that she is personally paying all of the premiums on her
25 policy. She said that she still owns the policy, but that she would like to sell it. She said that
26 ProLinks is not involved with the potential sale of her policy, and that she plans on doing it
27 herself. A “Statement of Client Intent” bearing her signature and the signature of Moses
28

1 Gazazian was submitted to Travelers Life & Annuity Insurance Company. This document
2 contains the following questions:

3 #1 "Do you intend to execute a collateral assignment of the applied for life insurance policy?"

4 This question was answered "No."

5 #2 "Do you intend to sell the applied for life insurance policy in the future?" This question was
6 answered "No."

7 #3 "Have you ever sold a life insurance policy that you owned to a third party?" This question
8 was answered "No."

9 #4 "Have you spoke with an individual or a company offering to pay you money to purchase life
10 insurance?" This question was answered "No."

11 #5 "Have you spoken with an individual or a company offering free life insurance?" This
12 question was answered "No."

13 Life agent Paul Emata said that he had nothing to do with a "Statement of Client Intent" for
14 Carpina's policy.

15 **19. VIOLATIONS**

16 80. The Department has alleged misconduct by Respondents in paragraphs 7
17 through 79. The Respondent's acts are in violation of CIC 1668 (e) [lacking integrity];
18 1668 (I) [dishonesty]; 1668 (j) [untrustworthy]; 1734 [failure to remit fiduciary funds];
19 1733 [premium theft]; 10110 [insurable interest misrepresentations].

20 **20. CAUSE FOR DISCIPLINE**

21 81. The facts alleged in Paragraph Numbers 1 through 80 constitute grounds
22 for the Insurance Commissioner to suspend or revoke the Respondents', licenses and
23 licensing rights pursuant to Insurance Code Section 1738 and 1742.

24 **21. PETITION FOR DISCIPLINE**

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The Department prays for issuance of an Order that:

Revokes the licenses and licensing rights of the Respondents, and each of them.

Dated: January 26, 2010

STEVE POIZNER
Insurance Commissioner

-s-

By: _____
Michael T. Tancredi
Sr. Staff Counsel